



# **NAVFAC Environmental Restoration Program Performance-Based Contracting Policy, Perspective, and Implementation**

*Performance-Based Acquisitions (PBA)  
E2S2 Conference  
April 2011*

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## Agenda:

- **What is the Navy's Approach to PBC?**

- Structure task order scopes that focus on performance and provide contractors with opportunities to innovate
- Based on the specific site and project realities, manage risks to the contractor and government to control costs

- **Why take this approach?**

- Tailor PBC implementation to the specific needs of the site and the project acquisition strategy
- Maintain internal technical capabilities and governmental oversight
- Maximize Cost Savings
- Maximize success towards Defense Management Goals

# Navy Approach to PBC

## NAVFAC PBC Policy



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NAVAL FACILITIES ENGINEERING COMMAND  
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5090  
Ser 040024/ENC-RS  
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Subj: PERFORMANCE BASED CONTRACTING GUIDELINES FOR SERVICES  
ACQUISITIONS UNDER ENVIRONMENTAL BUSINESS LINE

training our workforce in PBC. Therefore, each Component Command Environmental Services Business Line Manager and Acquisition Support Lead shall ensure that personnel involved in the development of statements of work for environmental services contract actions, as well as in the award and administration of such actions, receive the proper training in PBC in order to effectively execute DOD's PBC objectives.

5. NAVFACENGCOM points of contact for this document are Mr. Robert Sadoera (202-685-9306) for Environmental, Mr. Ted Zagrobelny (202-685-9303) for Community Management and PBC training, and Ms. Evelyn Ortiz (202-685-9164) for Acquisition.

  
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Subj: PERFORMANCE BASED CONTRACTING GUIDELINES FOR SERVICES  
ACQUISITIONS UNDER THE ENVIRONMENTAL BUSINESS LINE

Ref: (a) COMNAVFACENGCOM ltr 5090 Ser 0400-211/ENC-RS of 29 Sep 04

Encl: (1) Performance Based Service Contracting Guidelines for NAVFAC  
Environmental Services Business Line

1. DOD has established performance-based contracting as a means of acquiring services by contract, recognizing that this approach provides better value, and greater competition. The Department of Defense has been a strong advocate of PBC techniques. Our recently issued Environmental Services Business Line Policy affirms our goal to increase PBC methods in the acquisition process.

2. During August 2004 NAVFAC Headquarters conducted a performance-based contracting training session for Environmental Services Business Line representatives from all Component Commands. This session emphasized the Environmental Services Business Line's commitment to innovative performance approaches in some of the key PBC elements established by DOD more recently.

3. As requested by the training participants, this document provides a better understanding of PBC requirements across the Environmental Services Business Line, except for contract actions directly acquired through the acquisition process. The document provides the basic guidance to determine whether contracts or task orders are classified and reported as performance-based contracting.

4. Performance-based contracting for service contracts is a collective responsibility of the entire acquisition process. Contracting Officers each share the task of ascertaining the maximum extent practicable PBC under the business line. We will not be

- **NAVFAC Environmental Acquisition Strategy**
- **NAVFAC issued specific PBC Policy on 26 Oct 04 to address:**
  - Directs increased use of PBC
  - PBC eligibility (applies to non-Brooks Bill work only)
  - Explains the elements of PBC
  - Responsibilities and level of approval
  - Train our workforce
  - Establish reporting requirements

- **PBC techniques applied throughout the toolbox**
  - **Less prescriptive statements of work...more performance work statements (PWS) and statement of objectives (SOO)**
    - Performance Objectives
    - Performance Standards
    - Acceptable Quality Levels
    - Quality Assurance Surveillance Plan
    - Incentives or Penalties

## **PBC is integral to the NAVFAC Environmental Acquisition Strategy**

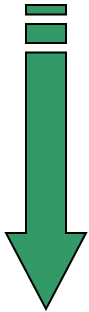
- Not a type of contract, but an approach to contracting**
- The majority of our contracting vehicles can have PBC components**
- Can be implemented at different stages in the cleanup process**
- Different degrees of implementation depending on the project situation**

# Navy Approach to PBC

## *The Basic Analysis*

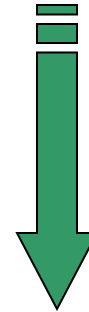


- ☐ Project Uncertainty
  - ☐ Level of site data / info
  - ☐ Regulators and community



- ☐ Contractual / Business Arrangement
  - ☐ Fixed versus Cost
  - ☐ Small versus Large Business
  - ☐ Single versus Multiple Award

- ☐ Innovation Potential
  - ☐ Phase of Cleanup
  - ☐ Performance Work Statement



- ☐ Shift risk/uncertainty to Contractor
- ☐ Increased cost to assume risk



- ☐ Encourages Contractor innovation, flexibility and accountability
- ☐ Potential cost savings to the Government

# Why the Navy Approach *Diverse Acquisition Strategy*



## **Goals:**

- Provide best contractual solutions**
- Establish a balanced and diversified contract tool box to meet the broad array of program requirements**

## **Objectives:**

- Increase acquisition options and flexibility**
- Effectively manage cost and risk**
- Maintain an environment of competition**
- Meet political and legislative contracting mandates**

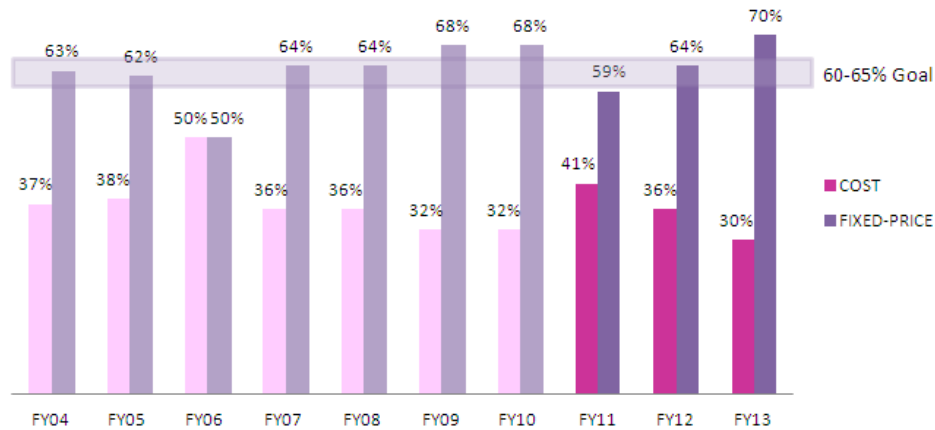


# Why the Navy Approach

## Diverse Acquisition Strategy - Metrics



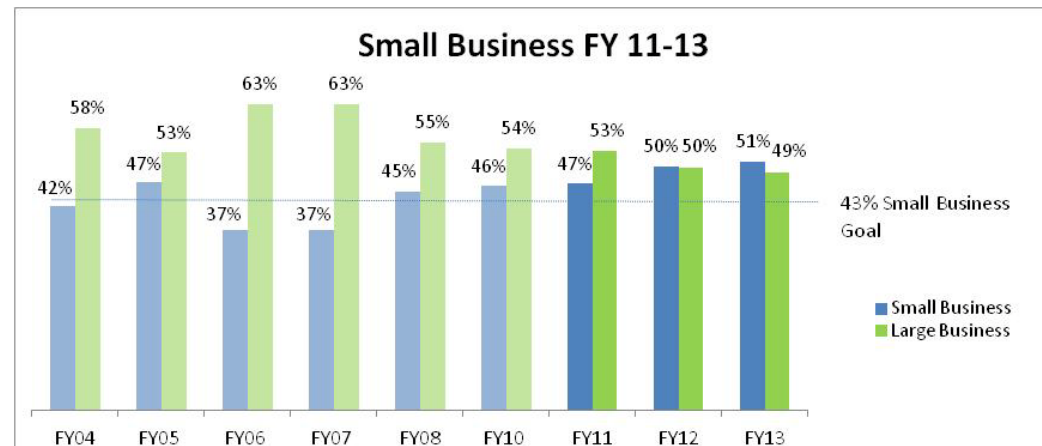
### Fixed-Price Contracts



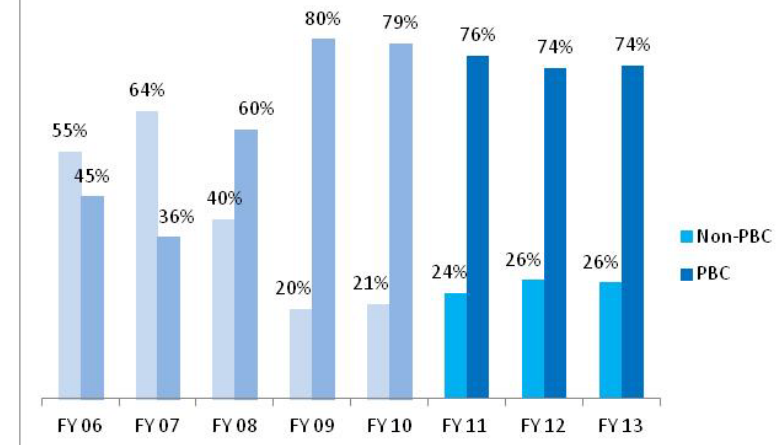
### Multiple Award



### Small Business FY 11-13



### Performance of Eligible Work



# Why the Navy Approach *Maintain Technical Capabilities and Oversight*



- **Internal technical capability is a NAVFAC core competency**
  - **Expanding in-house work in certain areas to maintain expertise**
    - Examples: EE/CAs, Action Memos, LTM Plans, 5-Year Reviews, Community Relations Plans, ESS, Optimization Studies, etc.
- **NAVFAC promotes a PBC approach that ensures RPM's are central to the decision-making process**
  - **Commitment of funding obligation and assignment of risk is an inherently Governmental function**
  - **Primary interface with regulators and the public**

## Why the Navy Approach Maximize Cost Savings



Optimization Study/ Review Costs	Costs to Implement Optimization Recommendations	Actual Cost Avoidance
\$12,145,264 (441 sites)	\$ 8,114,241	\$129,401,224

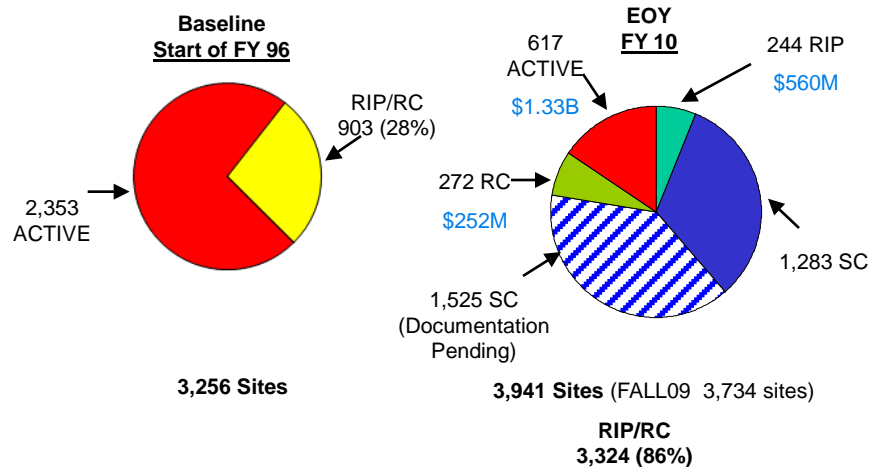
- **For FY 2010**
  - 55 additional sites reported optimization
  - \$20.7 million actual cost avoidance
- **Implementation Costs include: pilot studies and remedy modification**
- **Cost avoidance is calculated after all study and implementation investments are completed (ROI)**
- **Return on Investment: 6.4**

# Why the Navy Approach

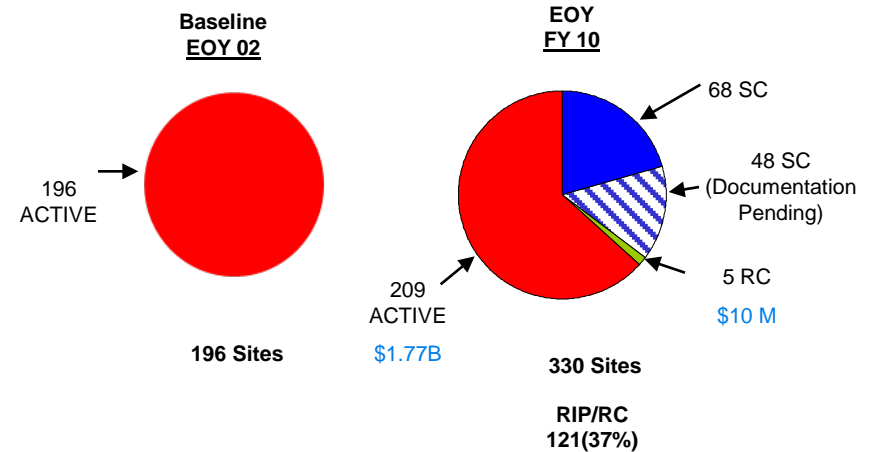
## Maximize DMGs and Program Performance



### Snapshot Of The ER,N IR Program



### Snapshot Of The ER,N MR Program



#### IRP – Goals

	<u>PROJECTION</u>	<u>FY10 STATUS</u>
>EOY2002 - 50% of High RR sites reduced or RIP/RC		59%
> EOY07 - 100% of High RR sites RIP/RC		86%
> EOY11 - 100% of medium (and high) RR sites RIP/RC	60%	74%
>EOY14 - 100% of low RR sites RIP/RC	98%	85%
- 36 Sites will not RIPRC by FY14		

#### MRP – Goals

	<u>PROJECTION</u>	<u>FY10 STATUS</u>
>EOY2007 – 100% of Sites Completed Preliminary Assessments	100% (100%)	100%
> EOY10 - 100% of Sites completed Site Investigations	97%	97%
> EOY20 - 100% of all Sites RIP/RC	99.7%	37%
-9 sites not meeting FY10		
-1 site not meeting FY20		

- **Summary**

- **PBC is not a type of contract, but a way of contracting**

- Provides valuable tools and concepts to contracting

- **Focus to provide opportunities for innovation/flexibility while managing risks and costs**

- Encourages innovation and utilization of Contractor's expertise (saves money)
    - Transfers risk from Government to Contractor (costs money)

- **Surgical approach to implementation tailored to the situation**

- **Not a panacea...Navy focus considers other opportunities for achieving program efficiencies and effectiveness.**

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